

REDACTED

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-111

June 15, 2000

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure

ORDER APPROVING
SUPPLY CONTRACTS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we approve two purchase power agreements (Agreements) entered into by Bangor-Hydro Electric Company (BHE) in connection with its provision of standard offer service in its service territory.

II. BACKGROUND

On February 29, 2000, we issued an order authorizing BHE's strategy to serve standard offer load in its service territory. *Order Authorizing Bangor Hydro-Electric Company to Contract for Wholesale Power Supply and Establishing Standard Offer Prices*, Docket No. 99-111 (Feb. 29, 2000). Its strategy was to enter a firm energy contract for approximately 60% of the standard offer load and to provide the remainder of the standard offer requirements through the spot market. In our Order, we noted that circumstances might change, such that a modification of the strategy would be warranted. Accordingly, we required BHE to file periodic reports on its provision of standard offer service.

Consistent with our February 29th Order, BHE filed a report on June 5, 2000, stating that the Commission, among other things, should consider increasing the amount of energy under fixed priced contract to reduce the risk of high summer prices to BHE's customers.¹ Subsequent to BHE's filing, the Commission met with BHE and the Public Advocate to discuss the options for hedging against the possibility of extreme spot market prices this summer.

On June 12, 2000, BHE filed two Agreements, under protective order, for Commission approval.

BHE states that the Agreements are intended to provide energy for BHE during the summer months when prices in New England are the highest and most volatile.

¹ Among the other items, BHE proposed the implementation of interruptible rates to reduce usage during peak periods. In a separate order Order issued today, we approved BHE's interruptible rate tariff (Docket No. 2000-487).

III. DECISION

In light of last summer's experience and the unprecedented price spikes of May 8, 2000, we conclude that it is reasonable to attempt to hedge against the possibility of extremely high prices during the summer period. Price spikes, such as those that occurred on May 8th, would result in substantial increases in the cost of providing standard offer service that would ultimately be paid by BHE's ratepayers. However, hedging against this risk should not occur at any price. The cost of any strategy must be carefully balanced against the risk of higher than expected summer prices.

We have reviewed the two Agreements and find them to be reasonable, considering the current circumstances. Both Agreements will provide BHE access to energy during the summer months at capped energy prices. The cost of obtaining access to the energy appears relatively modest. Accordingly, both Agreements are reasonable mechanisms to hedge against the risk of extremely high summer prices and to reduce ratepayer exposure to market volatility. We therefore approve both Agreements.

Dated at Augusta, Maine, this 15th day of June, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

This document has been designated for publication

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5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

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